
Navy Comptroller

Volume XIV



Issue No. II—FY 2002

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CRITERIA FOR EVALUATING UNITED STATES MARINE CORPS INSTALLATION STRATEGIC MANAGEMENT

by J. E. Leighty, Major, USMC

“The Department of Defense must transform its business processes and infrastructure to both enhance the capabilities and creativity of its employees and free up resources to support warfighting and the transformation of military capabilities.” (2001 QDR Report)

BACKGROUND

Government reform initiatives and budget realities require a Government that costs less and works better. The Government Performance and Results Act (GPRA) requires that government agencies conduct strategic planning and measure outcomes. Fiscal realities outlined in the Quadrennial Defense Review (QDR) Report and the fiscal year 2002 President’s Budget require a more efficient Department of Defense. The U.S. government and the Marine Corps cannot continue to do “business as usual.” We must become more efficient in using our limited resources.



In 1999, the Marine Corps began activity-based cost and activity-based management (ABC/M) initiatives at all USMC installations to comply with mandated reforms, (1) to become more efficient at managing support activities and (2) to free up resources for needed warfighting capabilities. While initial ABC/M results have exceeded goals, additional work is required to ensure long-term success. A system is needed to evaluate overall installation strategic management. A set of criteria to evaluate the efficiency and effectiveness of Marine Corps installation strategic management is required.

In this study, I propose a performance measurement system to evaluate Marine Corps installations that borrows from a proven private sector system. There is no expectation that this will be a final answer to the problem. However, I hope that it enriches a dialogue about installation performance measurement. This process will require refinement and the establishment of specific targets. The proposed criteria are an attempt at defining those items that should be the focus of an installation.

USMC INSTALLATIONS

Marine Corps installations are referred to as the 5th element of the Marine Air Ground Task Force (MAGTF). Marine Corps installations are the means by which the Marine Corps develops, trains, and maintains a force prepared to win the Nation’s battles. Installations are the “launch platforms” from which expeditionary power is projected—the place where MAGTFs are sustained and from where they are deployed. Additionally, installations support quality of life for Marines and their families. Succinctly, “Without installations, there is no readiness.” (CMC Guidance, USMC, 2000)

STRATEGIC PLANNING AND PERFORMANCE MEASUREMENT

Strategic planning and performance measurement are inextricably linked. Strategic planning provides guidance to the organization and determines those items that are important enough to measure and monitor. Performance measurement provides the feedback necessary to monitor achievement of the organization’s strategic goals and objectives. Measurement without strategic planning is simply wasting resources gathering data. Data is useful to leadership only after it transforms from information

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to knowledge. Only by implementing performance measurement in a strategic plan and a strategic management framework will leadership be able to make the necessary decisions for the organization to accomplish its vision and mission.

ITEMS OF IMPORTANCE

“Not everything that can be counted counts, and not everything that counts can be counted.” —Albert Einstein

The performance measurement system must focus on items of importance to installation management. Installations 2020 discusses five areas of primary interest: (1) basing strategy, (2) training (ranges and maneuver space), (3) encroachment, (4) base management, and (5) quality of service. These items involve three stakeholders (customers, society, and employees) and resource management. The first three items (1) basing strategy, (2) training (ranges and maneuver space), and (3) encroachment directly deal with the customer. For installations, the customer is the MAGTF². Encroachment also concerns our relationship with federal, state, and local governments and the general populace. Quality of service deals with employees as stakeholders. Base management could be termed resource management or any other term to describe the internal business operations and processes of an installation.

The customer must be involved in establishing standards, as each customer may have different requirements. The installation will have to determine how to meet the needs of the customer in the most efficient manner. This approach is similar to the concept of “target costing.” In target costing, the firm sets the costs of its products based on what the customer is willing to pay. The firms work backwards from the cost to refine its processes to stay within target cost limits.

An effective performance measurement system must balance input, process, output, and outcome metrics, addressing both causes and effects. The measurement system must (1) support the organization’s strategy, (2) link to stakeholder requirements, and (3) provide feedback to management and those performing the work. The system must include both internal and external perspectives. The system must measure those goals and objectives specified during strategic planning. The measurement system must embody the organization’s values and culture or it will never be completely accepted. The proposed system must balance the autonomy of the local commander with overall Marine Corps requirements. The local commander must have the flexibility to respond to local needs and make business decisions based on local facts. The system must provide a framework that assists the local commander in focusing his efforts. Above all else, installations must “deliver recognizable value for every dollar spent.” (Danzig)

Visits to three Southern California installations revealed that while each installation approached strategic planning and performance measurement from different perspectives, there were some similarities. Each installation undertook its planning processes largely without input from other installations, yet reached the same general conclusion. All three agreed that more guidance is needed from higher headquarters. Top leadership was involved in the strategic planning process at all three installations. Each installation developed performance metrics that linked to its strategic plans. Measures common at each installation included: (1) customer satisfaction, (2) quality of service/employee morale, and (3) organizational efficiency. While each installation focused on the same measures, the differences in approaches call for a common measurement system across all Marine Corps installations.

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“MALCOLM BALDRIDGE NATIONAL QUALITY AWARD”

In 1987, Congress established the “Malcolm Baldrige National Quality Award” in order to counter the challenge to the United States’ leadership in product and process quality posed by foreign competition (100th Congress). Managed by the Commerce Department’s National Institute of Standards and Technology (NIST), the “Baldrige Award Criteria” form the basis for organizational self-assessment, determining awards, and providing feedback to applicants. The NIST states that the criteria help strengthen United States’ competitiveness by:

- Improving organizational performance practices, capabilities, and results;
- Facilitating communication and sharing of best practices information among organizations of all types; and
- Serving as a working tool for understanding and managing performance and for guiding planning and opportunities for learning. (NIST, 15 USC 3711a)

The award criteria are based upon a set of core values and concepts found in high-performance organizations. These core values and concepts include:

- Visionary leadership
- Customer-driven excellence
- Organizational and personal learning
- Valuing employees and partners
- Agility—a capacity for rapid change and flexibility
- Focus on the future
- Managing for innovation
- Management by fact
- Public responsibility and citizenship
- Focus on results and creating value
- Systems Perspective (NIST)

The core values and concepts are embodied in seven general categories:

1. **Leadership**—how senior executives guide the organization and how well the organization addresses its responsibilities to the public and practices good citizenship.
2. **Strategic Planning**—how strategic direction and key action plans are set.
3. **Customer and Market Focus**—how customer and market requirements and expectations are determined by the organization.
4. **Information and Analysis**—the management, effective use, and analysis of data and information to support key organization processes and the organization’s performance management system.
5. **Human Resource Focus**—how the organization enables the workforce to develop its full potential and how the workforce is aligned with the organization’s objectives.
6. **Process Management**—how production, delivery, and support processes are designed, managed, and improved.
7. **Business Results**—examines the organization’s performance and improvement in its key business areas of customer satisfaction, financial and marketplace performance, human resources, supplier and partner performance, and operational performance. This category also examines organizational performance relative to competitors. (NIST)

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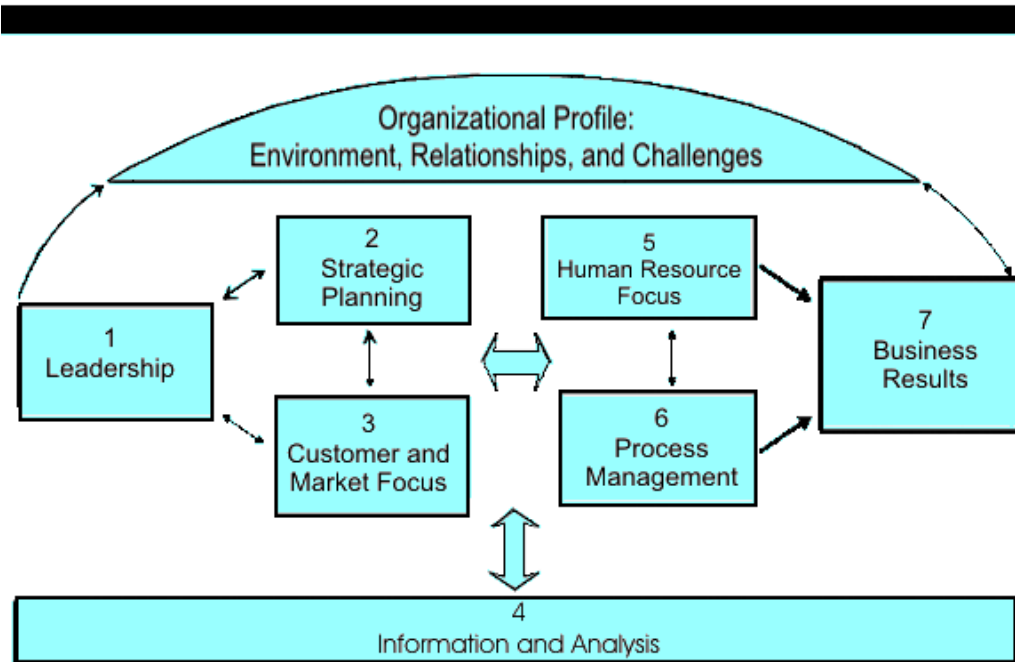


Figure 1.—Baldrige Criteria Systems Perspective (NIST).

Figure 1 provides a systems perspective of the “Baldrige Criteria.” Categories 1-3 form the leadership triad, emphasizing the importance of leadership focus on strategy and customers. Categories 5-7 represent the results triad. An organization’s employees and its key processes accomplish the work of the organization that yields business results. The horizontal arrow in the center links the two triads and represents the central relationship between “Leadership” and “Business Results.” Category 4, “Information and Analysis,” is critical to effective organizational management and to a fact-based system for improving performance. Information and analysis are the foundation for performance measurement. (NIST)

RESULTS

Each year the NIST conducts a “Baldrige Stock Study,” comparing hypothetical investments in publicly-traded “Baldrige Award” recipient’s common stock to the “Standard and Poor’s (S&P) 500” performance. The “2001 Stock Study” reviewed Baldrige stocks against the “S&P 500” between 1990 and December 2000. Hypothetical sums were invested in award winners in the year in which they applied, adjusting values for stock splits. As a group, the twenty-four award recipients achieved a 685.26% return compared to a 163.11% return for the “S&P 500.” In other words, award recipients outperformed other stocks by approximately 4.2 to 1. The five, publicly traded, whole company award recipients outperformed the “S&P 500” by 4.4 to 1, realizing a 764.84% return compared to a 173.34% return for the “S&P 500.” Site visited applicants outperformed the “S&P 500” by over 2:1 (321.80% vs. 153.54%). (NIST) From these results, it can be surmised that publicly traded companies that apply for and/or win the “Baldrige Award” outperform those who do not. A direct correlation cannot be made, but it can be said that firms that follow the “Baldrige Criteria” are high performing companies.

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USMC Strategic Management continued from page 14**THE APPEAL OF “BALDRIDGE CRITERIA”**

The “Baldrige Award Criteria” are appealing for several reasons. The criteria support GPRA by evaluating both strategic planning and measuring of results. The criteria are widely accepted and understood, allowing for sharing of information and knowledge between governmental and private organizations. The Baldrige systems perspective incorporates strategic management and performance measurement—two items that must both be present. The “Baldrige Award” is not simply a quality award; it is an overall strategic management award, balancing competing stakeholder requirements and aligning them with the overall organizational strategy.

The “Baldrige Criteria” is a form of a “balanced scorecard” in that the criteria balance performance measures for competing perspectives. The “Baldrige Criteria” are also easily modified to fit the needs of different organizations. For example, the “President’s Quality Award” criteria contain modified “Baldrige Criteria” for federal agencies. The “Army Process Improvement Criteria (APIC)” is simply the “President’s Quality Award” criteria modified to meet the Army’s needs. It would seem logical that a similar approach could be used to fit the needs of the Marine Corps.

The “Baldrige Criteria” appear to take the best of several systems. They are (1) focused on quality (Six Sigma, TQM), (2) allows for self-assessment (ISO 9000), and (3) has balanced measures. (Kaplan and Norton’s Balanced Scorecard) However, Baldrige goes one step further. Baldrige criteria specifically measures leadership and strategic planning—two items that make the outcomes possible by shaping, directing, and pushing the organization as required to meet desired objectives.

PROPOSED MEASUREMENT SYSTEM

The following proposed system borrows heavily from Baldrige and APIC. The proposed system includes 7 categories with 18 associated items. The first six categories evaluate the organization’s approach or deployment method; how the organization focuses on the drivers of importance. The last category focuses on the results from that approach; the outcomes.

PROPOSED CRITERIA

The following criteria includes the category and its associated items. Categories are labeled 1.0 through 7.0. Items are labeled 1.1, 1.2, and similar sequence. The titles and definitions of the categories and items are similar to the Baldrige or to APIC categories and items.

- 1.0 Leadership. This category evaluates how the installation’s leadership guides the organization and addresses its public responsibilities.
 - 1.1 Organizational Leadership. This item evaluates how senior leadership guides the organization, monitors performance, and communicates these ideas to all employees.
 - 1.2 Public Responsibility and Citizenship. This item evaluates how the organization addresses its public responsibilities, including stakeholder concerns and ethical business practices. This item also evaluates how the installation garners and manages support of key communities.
- 2.0 Strategic Planning. This category addresses how the organization establishes strategic direction and related objectives.
 - 2.1 Strategy Development Process. This item evaluates the organization’s overall strategic planning process.

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- 2.2 Strategy Deployment. This item examines the conversion of strategic objectives into action plans, including development, communication, and deployment.
- 3.0 Customer Focus. This category examines how the installation determines customer requirements, expectations, preferences, and how the installation builds customer relationships.
 - 3.1 Customer Knowledge. This item deals with how the installation determines short- and long-term customer requirements, expectations, and preferences.
 - 3.2 Customer Relationships and Satisfaction. This item examines how the installation builds relationships to satisfy the customer. This item includes assessing how the organization determines customer satisfaction in order to improve products and meets the customer's future needs.
- 4.0 Information and Analysis. This category evaluates the installation's information and performance measurement systems, including how the organization analyzes performance data and information.
 - 4.1 Measurement and Analysis of Organizational Performance. This item examines the installation's approach to performance measurement and analysis.
 - 4.2 Information Management. This item evaluates the installation's quality and availability of necessary information to stakeholders.
- 5.0 Human Resource Focus. This category examines how the organization motivates employees and enables them to develop and use their full potential in alignment with the installation's overall objectives.
 - 5.1 Work Systems. This item examines how the installation motivates and enables employees to achieve a high level of performance through the design, organization, and management of jobs, compensation, career progression, recognition, and related workforce practices.
 - 5.2 Employee Education, Training, and Development. This item assesses how the installation's education and training support the business objectives and increase employee knowledge, skills, and development.
 - 5.3 Employee Well-being and Satisfaction. This item evaluates the installation's approach to maintaining a work environment and employee climate that contributes to employee well-being, satisfaction, and motivation.
- 6.0 Process Management. This category evaluates key aspects of the installation's process management and encompasses all key processes and work units. This category focuses on providing value, ensuring that every dollar is spent in the most efficient and effective manner. It focuses on the efficient use of resources by all processes to ensure effective outcomes.
 - 6.1 Product and Service Processes. This item assesses how the installation manages key product and service design and delivery services.
 - 6.2 Business Processes. This item evaluates the installation's approach to management of key business processes. Business processes are those strategy-driven, non-product, non-service activities that the installation considers critical to long-term growth and success. Examples of business processes include: privatization and outsourcing, change leadership, benchmarking/best practices, and process reengineering.
 - 6.3 Support Processes. This item evaluates the installation's approach to management of key support processes. Support processes are activities that provide key day-to-day administrative and logistical infrastructure support. Support process evaluation involves assessing key logistical and

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infrastructure processes that support daily operation and employees in delivering products and services.

- 7.0 Business Results. This category examines the installation's performance and improvement in the key areas of customer satisfaction, product and service performance, financial, mission accomplishment, human resource results, and operational performance. Included in this assessment is performance relative to other governmental agencies and best in class benchmarking. This is an outcomes-based section and as such, is full of lagging indicators.
- 7.1 Customer-Focused Results. This item evaluates customer satisfaction and product and service performance.
- 7.2 Financial Performance Results. This item assesses how well the installation met all promulgated financial management measures as specified by Headquarters Marine Corps, Congress, or the Office of Management and Budget. A focus should also be on cost-savings achieved through implementation of process improvements. Additionally, the review should focus on how the installation uses ABC/M data to achieve these cost savings. The evaluator should examine any other key measures the installation uses to measure financial success. The installation should exhibit how it uses information about processes, personnel, and customers to align budgetary resources with strategy to ensure that program funding aligns with and supports the installation's strategy. Note that financial aspects are included in other sections, especially category 6.0 (Process Management) Items, and Item 7.4 below.
- 7.3 Human Resource Results. This item evaluates employee well-being, satisfaction, development, and performance.
- 7.4 Organizational Efficiency and Effectiveness Results. This item assesses operational results, as well as, public responsibility and citizenship. These include key performance measures that gauge progress in meeting goals such as those described in Items 1.1, 2.2, 6.1, and 6.2 and those key performance measures which stand alone, but are not reported in Items 7.1, 7.2, or 7.3.

	Baldrige	President's	APIC	USMC Proposal
Leadership	120	125	125	80
Strategic Planning	85	95	95	75
Customer and Market Focus	85	95	95	85
Information and Analysis	90	95	95	80
Human Resource Focus	85	95	95	80
Process Management	85	95	95	100
Business Results	450	400	400	500

Figure 2.—Scoring system comparison (Baldrige, OPM, APIC).

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USMC Strategic Management continued from page 17**SCORING**

The framework proposed here uses a scoring system similar to the three sets of criteria discussed in the “Baldrige Award,” the “President’s Quality Award,” and the “Army Performance Improvement Criteria (APIC).” The category headings are identical to the three systems discussed earlier. However, there are some significant differences in the weights given to each category. Figure 2 compares category scoring weights for the “Baldrige Award,” “President’s Quality Award,” “APIC Award,” and the proposed system.

The proposed system places less weight than Baldrige or its variations on all categories other than “Process Management” and “Business Results.” An organization could appear to have excellent approaches, and receive high marks from evaluators, but still fail to produce outstanding results. More of a balance is needed between approaches and results. The American public does not care that we had the best approach to training if we fail miserably in the next war. For this reason, half of the points (500 out of 1,000) are focused on “Business Results.”

1.0 Leadership	80
1.1 Organizational	55
1.2 Public Responsibility and Citizenship	25
2.0 Strategic Planning	75
2.1 Strategy Development Process	40
2.2 Strategy Deployment	35
3.0 Customer Focus	85
3.1 Customer Knowledge	40
3.2 Customer Relationships and Satisfaction	45
4.0 Information and Analysis	80
4.1 Measurement and Analysis of Organizational Performance	45
4.2 Information Management	35
5.0 Human Resource Focus	80
5.1 Work Systems	25
5.2 Employee Education, Training, and Development	25
5.3 Employee Well-being and Satisfaction	30
6.0 Process Management	100
6.1 Product and Service Processes	30
6.2 Business Processes	35
6.3 Support Processes	35
7.0 Business Results	500
7.1 Customer-Focused Results	200
7.2 Financial Performance Results	50
7.3 Human Resource Results	90
7.4 Organizational Efficiency and Effectiveness Results	160

Figure 3.—Proposed scoring system.

The second area with more weight is “Process Management.” The Marine Corps must strive to become more efficient and return value for every dollar spent. Sound processes lead to outstanding results. An organization can have leadership, strategic planning, and stakeholder focus, yet still fail if the processes required to deliver goods

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and services are not efficient. By meeting the needs of the customer and maintaining a high quality of life in an efficient manner, an installation should be successful, providing the Corps with more funding to support warfighting requirements.

To allow greater emphasis on “Business Results” and “Process Management,” points were taken from other categories. The “Leadership” category received the largest point drop. This is because of the culture of the Marine Corps. Leadership is at the forefront of everything the Marine Corps does, and therefore I feel little weight is needed for this category. While the “Customer Focus” category is lower in the proposed system, it took a smaller cut relative to other areas where reductions were made. This is because everything an installation does must focus on the customer, the MAGTF. The other categories took relative cuts.

To summarize the rationale for the proposed scoring system, “Business Results,” “Process Management,” and “Customer Focus” receive the most weight. Results show what has actually occurred and validate whether the approaches employed are sound. “Process Management” focuses on providing value for every dollar spent. Installations must always have a customer focus, as support of the MAGTF is the primary reason for the existence of USMC installations. The remaining points were then shared across the remaining categories as the author feels these categories contribute equally to the overall success of an installation. Figure 3 provides the proposed scoring system, to include item weights.

JUSTIFICATION OF PROPOSED SYSTEM

Evaluation of any management system must begin by evaluating the organization’s leadership. Leadership starts the process, provides guidance, sets direction and expectations, signals intent, monitors execution, and directs necessary changes. Strategic planning provides an overall framework to guide the organization, including specifying goals and objectives. A customer focus ensures that the organization focuses on those who value its output. In this case, the operating forces are the customers and the installation must focus on satisfying the MAGTF. The customer focus must be part of strategic planning to ensure long-term customer satisfaction.

Information and analysis provides the information and feedback necessary to make business decisions. This category runs across all of the other categories. The information must be transformed into knowledge to be useful by management. Management should adjust strategic plans and change processes to meet customer expectations. The needs of the customer are met by the actions of personnel (human resources) and through efficient processes. All of these approaches mean nothing if they do not lead to results that meet the goals and objectives of the organization. The results must show that every dollar spent results in value. The taxpayer expects no less and neither should the Marine Corps. This system balances leading and lagging indicators. A balance between ensuring future success and measurements to ensure processes are achieving desired results. Information and analysis is the bridge between these two types of indicators, but is only useful if the data gathered in the systems becomes information and knowledge that will be used to make decisions.

The proposed system provides the local commander with flexibility and autonomy. It allows the installation to determine the most important measures for continued success, within a framework of requirements dictated by higher headquarters. This system guides the commander by emphasizing areas of importance (examples: customers, strategic planning, processes). The proposed system focuses on identifying those

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items that result in long-term business success for the organization. The scoring weights emphasize those items identified in Marine Corps strategic documents as being of importance (examples: training areas, better business practices, quality of service). The system incorporates stakeholder input into establishment of performance measures and into process design and revision. If the system is followed, stakeholders should be asked to place a value on certain items to allow the installation to prioritize actions and business decisions.

The proposed system consists of process, output, and outcome measures. It evaluates how the installation develops strategy and how performance measures link to that strategy. It incorporates a balance of leading (approach measures) and lagging metrics (results). The organization's approaches, if sound, should result in outstanding results. The result metrics must be used to evaluate and refine the approach categories. This system evaluates if the organization responds to environmental changes. It links customers, employees, strategic planning, and processes. It evaluates an installation's approach to performance measurement and strategic management.

Finally, the proposed system is very similar to what has been devised at the three installations I visited. It evaluates three areas that the installations had in common, (1) customer satisfaction, (2) quality of life/employee morale, and (3) organizational efficiency. This system evaluates both processes and outcomes for those three areas to ensure that the installation is currently meeting the requirements and will continue to do so in the future.

The proposed system is definitely not without shortcomings. As previously mentioned, this system violates certain rules of performance measurement. Specifically, this system does not include well-defined, objective measures. Rather, it leaves definition of those measures up to the local commander. This system does not include customer and employee satisfaction surveys—those require development. Installations have already begun developing these surveys, but a standardized survey is needed. Benchmarking is needed for these surveys (and other processes) to allow targets to be set. One cannot immediately establish a goal if data has never been collected. Installations are in the process of collecting that data, but it will take time to evaluate the data and refine the questionnaires before the data can truly become knowledge. The Marine Corps is on the right track with first benchmarking against other governmental agencies and then progressing to benchmarking against best in class processes.

FINAL THOUGHTS

The Department of Defense cannot continue to do business as usual. We must become a more efficient organization. Industry has proven that by applying "Baldrige Criteria Systems Perspective," corporations provide quality products, faster, at a better price, and more efficiently than corporations who do not follow a similar program. It is time that we take a lesson from the private sector and become more efficient in our business processes. The Baldrige system is easily adaptable to meet the needs of Marine Corps installations. Although the system itself does not provide the answers, its application should improve our processes. The system provides a common measurement tool—a common framework to guide business decisions. It will allow us to transform our business processes and free up resources that can be directed to warfighting requirements.